

DOING BUSINESS IN ONTARIO CANADA



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INTRODUCTION

This information is intended primarily as an introductory guide to companies considering the establishment of a business operation in the Province of Ontario, Canada.

The topics covered briefly represent the fundamental points on which the businessman seeks preliminary information. Subsequent detailed studies of specific factors and problems are advisable as plans are developed.

The Division of Industry of the Ministry of Industry and Tourism is primarily responsible for industrial development in Ontario. A wide range of consulting services is available to interested companies from Ontario trade and industry offices established in many countries, backed up by head office services in Toronto and field offices throughout Ontario. Listed in Appendix C are the regional Ontario and international offices. Inquiries are welcomed at these offices or may be directed to the head office in Toronto.

The experienced staff of the Ministry works closely with community industrial development representatives. Complete municipal statistical data necessary for preliminary surveys of plant locations are available on request. Conducted visits to selected areas are arranged as well as meetings with local representatives, provincial and federal authorities, banks, utilities, transportation companies etc., as required.

The businessman considering a manufacturing facility in Ontario is invited to take advantage of the comprehensive and confidential services available from Ontario's Ministry of Industry and Tourism. The company official will be helped to assemble information, assess the many factors and reach a decision in a practical, time-saving manner.

The facts presented herein reflect laws and regulations prevailing at the time of publication and are subject to change. It is advisable to confirm specific data with the Division of Industry of the Ministry of Industry and Tourism or with the other appropriate government agencies when undertaking actual projects.



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A SUPPLEMENT

TO

DOING BUSINESS IN ONTARIO CANADA

February 1975 Edition

The Honourable W. Darcy McKeough, Treasurer of Ontario presented the 1975 Ontario Budget on April 7, 1975. Many of the budgetary policies announced concern the business community and the information contained in "Doing Business in Ontario Canada."

The budgetary items which relate to the sections of this booklet are summarized below.

RE: PAGE NO. 12 - PROVINCIAL CORPORATION INCOME TAX

Small Business Tax Credit

The Ontario Small Business Tax Credit annual limit of \$3,000 will be doubled to \$6,000 for eligible corporations. This change will apply with respect to active business income earned by corporations after April 7, 1975.

Scientific Research Expenditure

A corporation eligible to deduct expenditure for a taxation year in respect of scientific research will be permitted the option to choose to deduct any amount of such expenditure for the year and carry forward the unclaimed amount for deduction in subsequent years. This provision will apply in respect of fiscal years of corporations ending after 1973.

Fast Write-Off Provisions

- Manufacturing and Processing: The accelerated capital cost allowance for machinery and equipment used in manufacturing and processing activity will be extended for three years from January 1, 1975 to December 31, 1977.
- Pollution Control Equipment: The accelerated capital cost allowances for water and air pollution control equipment will be extended for two years from January 1, 1975 to December 31, 1976.
- Grain Storage Equipment: The additional capital cost allowances for grain storage facilities that expired on July 31, 1974 will be reinstated for an indefinite period, commencing August 1, 1974.

RE: PAGE NO. 13 - ONTARIO SALES TAX

Reduction in the Basic Rate

The basic rate of tax of 7 per cent will be reduced to 5 per cent for the period ending December 31, 1975. The existing 10 per cent rate on alcoholic beverages, prepared meals valued at over \$4.00 and admission fees will be unchanged.

Effective: April 8, 1975.

Exemption for Machinery and Equipment

Machinery and equipment used in the production of tangible personal property, or used in construction, will be exempt from the tax for the period from April 8, 1975 to December 31, 1977, inclusive, provided that:

- the order for such machinery or equipment has been placed between April 8, 1975 and December 31, 1976, inclusive;
- the delivery takes place on or before December 31, 1977; and
- a written contract between the purchaser and supplier is filed with the Minister of Revenue prior to January 1, 1977 for all such purchases where the value exceeds \$15,000 and the delivery is to take place on or after January 1, 1977 but not later than December 31, 1977.

Machinery and equipment qualifying for exemption will be defined by the Minister of Revenue.

Compensation to Vendors

Compensation will be provided to each vendor for his costs incurred in collecting and remitting retail sales tax under section 9 of the Retail Sales Tax Act.

The compensation will be as follows:

- if the tax collected is \$2.00 or less per return the vendor is entitled to withhold the full amount and
- if the tax collected exceeds \$2.00 the vendor is entitled to withhold \$2.00 or 3 per cent of the tax collected per return, whichever is the greater, provided that the total of such amounts withheld shall not exceed \$500 in the Government's fiscal year, that is, April 1 to March 31.
- large vendors with multi-branch organizations will be entitled to not more than \$500 in the Government's fiscal year, that is, April 1 to March 31.

Effective: July 1, 1975.

April 15, 1975.

Industrial Policy Section
Industrial Development Branch
Ministry of Industry and Tourism

Business Climate	5	TABLE OF CONTENTS
Encouragement of industry—Economic Growth—Advantages of Locating in Ontario—Entry and repatriation of Capital—Foreign Ownership		
Business Organization	7	
Types of Organization—Organization of Foreign Firms —Incorporation—Licensing		
Labour	9	
Employment Services—Employer/Employee Relations—Fringe Benefits—Employment of Aliens		
Taxes	11	
Federal and Provincial Corporate Income Tax—Personal Income Tax—Treatment of Subsidiary and Branch Operations—Dividends —Federal Sales Tax—Capital Gains Tax—Federal Excise Tax—Ontario Sales Tax—Municipal Tax—Land Transfer Tax—Land Speculation Tax.		
Canadian Customs Duties	15	
Tariff Classifications—Valuation for Duty—Temporary Imports—Drawbacks—Remissions		
Government Assistance to Industry	17	
Ontario Government Programs—Federal Government Programs		
General Information	19	
Patents — Trademarks — Copyrights — Industrial Designs — Transportation — Utilities — Banks — Product Standards		
Appendices	21,22,23	

The encouragement of sound industrial growth is of prime importance to both provincial and federal governments. An attractive investment climate is maintained complemented by incentive measures geared to the needs of industry and to the requirements for a maximum rate of growth on the basis of available resources.

BUSINESS CLIMATE
Encouragement of Industry

In general, the participation in Ontario's expanding economy is welcomed through licensing and joint venture arrangements and the establishment of new manufacturing facilities. Numerous and extensive investment opportunities exist in manufacturing and natural resource processing.

Ontario has placed increased emphasis on industrial production in recent years, particularly for export. Canada participated actively in tariff negotiations with a view to expanding the scope of industry from the domestic market into a broader international trading pattern. This was effected by obtaining reductions in other countries' tariffs and by Canada reducing its own tariffs on many imported items.

Canada's Gross National Product is estimated to be \$138.5 billion for 1974 compared to \$38 billion in 1960. Ontario's Gross Provincial Product for 1974 is estimated at \$56.9 billion or 41 percent of the Gross National Product. In 1973, Ontario's manufacturing shipments were \$33.5 billion or 51 percent of all manufactured goods in Canada. The 1973 Ontario exports were 45 percent of all Canada's exports including 82 percent of the fully manufactured exports. Ontario retail sales are estimated at \$16.3 billion for 1974. The 1974 Ontario per capita income is expected to exceed \$5,600 about 12 percent above the national average. Ontario enjoyed a major share of Canada's economic expansion during the 1960's. A broadened industrial base and a growing competitiveness in world markets were developed, with a steady growth being achieved in personal income by the expanding skilled labour force.

Economic Growth

Canada's population grew to 22.6 million by October 1, 1974 with that of Ontario's reported at 8.1 million.

Ontario is situated in the middle of Canada's ten provinces. A rich endowment of natural resources, an increasing population with a growing skilled labour force and expanding domestic and foreign markets provide a foundation for efficient manufacturing and processing operations. The proximity of the vast market potential of the United States is an added inducement to locating manufacturing facilities in Ontario. Ontario-made products enjoy the benefit of Canada's tariff preferences in various parts of the British Commonwealth. (See section on "Customs").

Advantages of Locating in Ontario

Regulations affecting business and industry in this respect are exercised impartially for either domestic or foreign-controlled firms. Investors in Ontario are free to liquidate investments at any time and transfer the proceeds out of the country. Similarly, profits, dividends or royalties may be remitted at will, subject to the appropriate withholding tax.

Entry and Repatriation of Capital

Foreign investment is restricted in some areas such as finance, information media, transportation, including aviation and coastal shipping, commercial fishing and certain professional activities. Acquisitions of Canadian companies by foreign interests may be subject in some cases to the approval of the Federal Investment Review Agency.

Foreign Ownership

While Canadian law does not require foreign firms to arrange Canadian financial participation, certain tax incentive measures are available to manufacturing and processing firms having a degree of Canadian ownership. (See section on "Taxes").

The following paragraphs deal briefly with the fundamentals of provincial and federal legislation affecting the commencement of business in Ontario. More detailed publications are available for study and discussions with relevant authorities can be arranged.

BUSINESS ORGANIZATION Forms of Business Organization

The services of a lawyer are normally retained by the businessman for guidance through the prescribed incorporation or licensing procedures.

Four basic forms of business organization are provided by Canadian law. These are: 1. Proprietorship; 2. General partnership; 3. Limited partnership; 4. Corporation.

Non-residents are free to do business in any one of these forms, as well as in a branch type operation.

An individual may enter into business in Ontario with a minimum of legal formalities, subject to licences that may apply to specific types of activities. The owner has sole responsibility for the operation and, in settlement of obligations, both his business assets and personal property may be attached.

Sole Proprietorship

If a sole proprietor elects to trade under a business name other than his own, or wishes to add such words as "and company" to his name, he must register with the Registrar of Partnerships, 555 Yonge Street, Toronto, Ontario.

General partnerships and limited partnerships are available in Ontario. The principles relating to the rights and liabilities of partners are similar to those applying under the British and United States laws. The filing of a declaration signed by all partners, giving names, addresses, company name and capital contribution is required on registration with the Registrar of Partnerships.

Partnerships

Limited partners do not participate in the management of the firm, and are liable to the firm or its creditors only to the extent of their financial contribution.

On the other hand, general partners are not only jointly liable (equal shares) for any debts, but are jointly and severally liable (each partner liable for the full amount).

In most cases under federal law, either a public or private company may be created. A public company is broader in scope than a private company, in that it may offer its capital shares or debentures for sale to the public, may have any number of shareholders, and its shares are transferable without restriction. A public company offering shares to the public must prepare a prospectus for distribution to the investing public and for filing with provincial and federal authorities.

Public and Private Companies

A federal private company is limited to fifty shareholders, the transfer of shares is restricted, and it may not offer shares or debentures to the investing public.

Under Ontario law no public or private company distinction exists. Corporations in Ontario fall into two categories, those which offer their securities to the public and those which do not. A factual test exists to determine whether or not a corporation falls into one or the other of these two categories. Ontario law deals differently with corporations which offer their securities to the public than with corporations which do not. The differences relate generally to shareholders' rights, the disclosure of public information, and whether or not the corporation may restrict the transfer of its shares. Corporations incorporated in Ontario are only required to have one shareholder. Corporations incorporated in Ontario which offer their securities to the public must have at least three directors, two of whom must not be officers or employees of the corporation or of any affiliate of the corporation.

Incorporation Under Provincial Law

In Ontario a corporation is incorporated upon the filing of articles of incorporation and paying the requisite fee. Incorporation federally is under the letters patent system of incorporation by which a charter is granted to any number of persons, not less than three, constituting them a "body corporate and politic". For corporations chartered under Ontario law, the Business Corporation Amendment Act 1972 requires that a majority of the members of the boards of directors be Canadian citizens ordinarily resident in Canada and further, that in any financial year a majority of directors' meetings must be held in Canada.

Incorporation Under Provincial Law	A company incorporated under Ontario laws must take out a licence in any other province in Canada in which it plans to do business or to own real property. An exception is the reciprocal arrangement between the provinces of Ontario and Quebec where licensing requirements are waived for a company incorporated in the other province. Generally, a licence can be obtained by filing an application with the proper provincial authority and paying the prescribed fee.
Extra-Provincial Companies	<p>All provinces in Canada require that foreign or extra-provincial companies be registered or hold a licence when "carrying on a business" in their respective areas. The definition of "foreign" or "extra-provincial" company usually includes all companies other than those incorporated federally or under a statute of the province in question.</p> <p>Whether or not it is advisable to do business as an extra-provincial company rather than to incorporate in Ontario will depend on the nature, extent, and duration of the anticipated business activities.</p>
Incorporation Under Federal Law	Companies incorporated by letters patent under The Canada Corporations Act have the right to carry on business in all provinces of Canada and do not require an extra-provincial licence in order to carry on business in any province of Canada. Such companies are subject, however, to provincial laws of general application in respect to holding land in the province and with respect to provincially imposed taxes. Ontario requires such companies to register and obtain a licence in order to hold land in the province.
Branch of Foreign Corporation	<p>Foreign corporations may conduct business in Ontario through a branch operation without local incorporation. They are treated in the same way as a company incorporated in another province of Canada and are required to register and obtain a licence in accordance with Ontario laws. Where the corporation wishes to trade in Ontario under its own name, the name must first be cleared with the Companies Division of the Ministry of Consumer and Commercial Relations, prior to applying for a licence, since Ontario law requires that the name must not be so similar to that of any corporation, individual or association as to be likely to deceive.</p> <p>The choice as to whether to form a subsidiary corporation or to operate as a branch is usually based upon tax considerations, the expected profitability of the Ontario operation, dealings with the parent company and other factors. Legal and accounting assistance should be retained to guide businessmen towards the most suitable decision.</p>

<p>In Ontario, jurisdiction over labour and employment is a responsibility of the Provincial Government. However, some industries and undertakings of a national, international or interprovincial nature, such as transportation, communications, canals, pipelines etc. are within federal jurisdiction and subject to the Canada Labour (Standards) Code.</p>	<p>LABOUR Labour Legislation</p>
<p>The Canada Manpower Division of the Federal Department of Manpower and Immigration provides a comprehensive public employment service to all Canadian employers and free placement services to the unemployed or those wishing to change jobs. Canada Manpower collects and publishes information on manpower supply and demand in all industries and occupations.</p>	<p>Employment Services</p>
<p>Canada Manpower provides additional services which include technical and financial assistance to employers in training, retraining and upgrading employee's skills.</p>	
<p>In addition to these services, there are many private placement agencies offering employment services to both employers and employees.</p>	
<p>The Employment Standards Act establishes uniform minimum standards to be met by all employers throughout the Province. These are: (i) Termination of employment; (ii) Hours of work; (iii) Overtime pay; (iv) Minimum wage; (v) Equal pay for equal work; (vi) Maternity leave; (vii) Vacation with pay; (viii) Wage protection.</p>	<p>Employment Standards</p>
<p>A five day, forty hour week is the general practice. Overtime pay after forty-four hours is required by law. The minimum hourly wage in Ontario is presently \$2.25, however, effective May 1, 1975, the minimum will be increased to \$2.40 per hour.</p>	<p>Minimum Wage and Hours of work</p>
<p>The Employment Standards Act provides that every employee in Ontario is entitled to the minimum annual vacation of at least two weeks on completion of the first twelve months of employment with vacation pay of not less than 4 percent of the total pay received in the year for which the vacation is given.</p>	<p>Vacation With Pay</p>
<p>Seven paid public holidays are mandatory, however, it is normal practice to provide eight paid holidays per year. Time and one-half rates must be paid if employees are required to work on a public holiday.</p>	<p>Public Holidays</p>
<p>Freedom of association is guaranteed by legislation and employers are required to recognize and bargain with the trade union representing the majority of their employees. Wage rates, hours of work, fringe benefits and other aspects of working conditions including vacations and public holidays, are normally settled through collective bargaining.</p>	<p>Trade Unions</p>
<p>The Workmen's Compensation Act provides for a fund contributed to by employers and administered by the Province. Payments are made to eligible workers to compensate for loss of income caused by accidents arising out of or in the course of employment.</p>	<p>Workmen's Compensation</p>
<p>The amount of employers' contributions depends upon the hazards of the industry. Employers are assessed annually at the appropriate rate for the industry based on payroll records. Reporting payroll records is compulsory in the industrial sector.</p>	
<p>The Unemployment Insurance Act provides that all employees in Canada under a contract of service must be insured against interruption of earnings due to shortage of work, disability and pregnancy, unless they are among those employees specifically made non-insurable. Contributions by employer and employee plus supplementary contributions by the Federal Government are paid into the insurance fund. The 1975, employer's and employee's premium is 1.4 percent of the employee's insurable earnings. The maximum insurable earnings in 1975 is \$185 per week. Employers are responsible for maintaining the employee's employment records, on which insurance benefits are based if unemployment occurs.</p>	<p>Unemployment Insurance</p>

Pension Plans The Canada Pension Plan is designed to provide a basic retirement pension for all working Canadians. With few exceptions, participation is compulsory. Employers are required to deduct 1.8 percent of employees' wages up to a maximum deduction of \$120.60 per year. Employers are required to make a matching contribution. The total is then remitted to the Department of National Revenue, along with income tax deductions.

The Pension Benefits Act allows employers to establish Private Pension Plans for the benefit of their employees upon retirement.

Health Insurance The Ontario Health Insurance Plan requires an employer of 15 employees or more to provide for group participation; for 6-14 employees, the insurance plan is not mandatory but may be arranged. Employers are required to make specified payroll deductions and remit these to the designated agency. Employer participation in the cost of the plan is not compulsory.

Cost of Fringe Benefits While it is difficult to calculate an actual cost to the employer for fringe benefits, since labour contracts vary, a recent unofficial survey placed the average at 28 percent of total wages for manufacturing payrolls.

Fringe benefits include such items as vacations, public holidays, pension plans and group insurance protection.

Employment of Aliens While Canadian Citizenship is not a primary requirement for employment except for some restrictions, aliens must have landed immigrant status to accept employment or, for short term employment, an employment visa. Foreign companies must apply to the Department of Manpower and Immigration for permission to send individuals or groups of supervisory or technical personnel to Canada for temporary employment.

In the Province of Ontario there are three levels of taxation—federal, provincial and municipal. The federal government may levy both direct and indirect taxes, while the provincial and municipal governments may levy direct taxes only.

TAXES

In general, all individuals and corporations are liable to federal and provincial income taxes. Some individuals and corporations are also liable to other taxes which are briefly outlined below:

The tax is levied by the federal government on a corporation resident in Canada based on its income for the taxation year derived from all sources inside or outside Canada, less certain deductions. Tax payments, as estimated by the corporation, are made in monthly instalments throughout the year to the Federal Department of National Revenue.

TAXES AFFECTING CORPORATIONS Federal Corporation Income Tax

The federal corporate income tax rates vary depending on the nature and size of the company. (as shown in Appendix A)

As an incentive to small businesses, a Canadian-controlled private corporation is granted a reduction in federal corporation income tax as shown in Appendix A.

A federal provincial tax agreement provides for a reduction of 10 percentage points in the federal corporate income tax rates to allow for provincial corporate tax.

Certain deductions are allowed in computing income and taxable income. These include reserves for doubtful debts, interest on borrowed money, municipal property taxes, contributions to employee pension plans, scientific research, foreign tax payments etc.

Deductions

Capital cost allowances are deductions permitted in respect of the cost of depreciable capital assets. These are calculated on a diminishing balance principle. The maximum rates of capital allowance for some classes are as follows: brick building, 5% annually; frame building, 10% annually; automobiles and trucks, 30% annually; machinery, 20% annually.

Capital Cost Allowance

Effective January 1, 1973, the legislation permits fast write-offs on machinery and equipment used in manufacturing and processing in Canada. The accelerated rate (50 percent per year) applicable to purchases of such machinery and equipment has been extended indefinitely.

Manufacturing and Processing Machinery and Equipment

When a non-resident company is carrying on business in Ontario through a resident subsidiary operation, the total income of the subsidiary, whether earned in Canada or elsewhere, is subject to income tax in Canada. The subsidiary may claim a credit for taxes paid to a foreign country, as can any Canadian company. Methods of computing taxable income and the rate of the income tax is the same as for any other company resident in Canada except that the small business incentive is not available to foreign controlled corporations.

Subsidiaries of Foreign Companies

When a non-resident company is carrying on business in Ontario through a branch operation (without local incorporation), it is liable to income tax on that proportion of income that may reasonably be attributed to activities carried on in Canada through its Canadian branch. Satisfactory separate accounts must be kept to facilitate the determination of branch income. In addition, a 15 percent Federal Branch Tax is levied on after-tax income. Certain allowances are made for new capital investment and working capital additions each year. This tax applies to the after-tax income which is retained in Canada or remitted to the foreign country.

Branch Operations

A Canadian withholding tax on dividends, royalties and similar payments remitted to a parent company in a foreign country by a Canadian subsidiary is levied at 15 percent per annum. This rate is reduced to 10 percent for companies in which Canadians hold not less than 25 percent equity, and which have not less than 25% Canadian directors, or at least 25 percent of its stock is available to Canadians through listing on a Canadian stock exchange. This withholding tax is deductible for tax purposes by recipients in most countries.

Dividends of Subsidiaries

Provincial Corporation Income Tax	<p>Ontario levies a provincial corporation income tax of 12 percent calculated on the same basis as the federal tax. The Province also levies an annual Capital Tax at the rate of 1/5 of 1 percent of the paid-up capital of a corporation.</p> <p>An active Canadian-controlled private corporation which qualifies for the federal small business deduction, is entitled to Small Business Tax Credit equal to 5 percent of the increase in its capital in Ontario to a maximum of 1/2 of tax liability for the year up to \$3000 annually. (See Appendix A).</p>
TAXES AFFECTING INDIVIDUALS Federal and Provincial Personal Income Taxes	<p>Both levels of government levy tax on the income from all sources inside or outside of Canada of an individual resident in Ontario, and on the income of a non-resident earned during the year in the province.</p> <p>The federal government administers and collects the provincial personal income tax. Rules for the determination of whether a person is a resident, allocation of income to provinces etc., are outlined in the Federal Income Tax Regulations. The provincial personal income tax is about 30 percent of the federal tax. For table of current tax rates see Appendix B.</p>
Deductions	In addition to the personal exemptions of the taxpayer, deductions are permitted for dependents, medical expenses, charitable donations, union and professional dues, pension contributions etc.
TAXES AFFECTING CORPORATIONS AND INDIVIDUALS Capital Gains Tax	<p>Corporations—One-half of net capital gains realized after 1971 are included in income and taxed at normal corporation rates. One-half of net capital losses may be carried back one year and forward any number of years, being applied against net taxable capital gains, until absorbed.</p> <p>Individuals—One-half of net capital gains realized after 1971 are included in income and taxed at normal personal rates. One-half of net capital losses up to \$1,000 are deductible from other income for the year. Any excess may be carried back one year first and then forward indefinitely to be used against capital gains or the annual \$1,000 of other income.</p> <p>An individual's personal residence and up to one acre of land on which the house is situated are exempt.</p>
Municipal Taxes	Municipalities in Ontario levy property and business taxes and licence fees. The property tax is based on the assessed value of land and buildings used for commercial/industrial or farm/residential purposes. Business tax is levied on a certain percentage of the assessed value of real property. A composite market value assessment is being introduced in some local municipalities.
Land Transfer Tax	Any person or corporation, when acquiring land, is subject to the payment of a Land Transfer Tax on the total amount of the transaction. An increased rate of Land Transfer Tax may be applied to persons or corporations defined by the Act to be non-resident. However, there are provisions in the Act for non-resident corporations and individuals to be exempted from payment of the high rate of the tax, depending on the intended resident status of the purchaser and the intended use of the property.
Land Speculation Tax	Land Speculation Tax is payable on the increase in the value of the land when it is sold. The tax is payable by both resident and non-resident. Exemptions are provided in the Act for the types of transactions which are considered to be non-speculative.
SALES AND EXCISE TAXES Federal Sales Tax	The Canadian government imposes a general sales tax of 12 percent on the manufacturer's selling price of goods manufactured in Canada and on the duty-paid value of imported goods. This tax is payable at the manufacturer's level at the time of delivery to the purchaser, or by the importer at the time of importation. Numerous tax equalization measures are authorized to reduce inequities arising from manufacturers selling at different levels of distribution. Exemptions are allowed on certain raw materials, a wide range of production equipment and on some categories of consumable materials. Scientific research equipment purchased by manufacturers for use in the testing or development of new products or new processes is exempt from this tax.

Manufacturers or producers (including remanufacturers and rebuilders) of goods subject to federal sales tax are required to obtain a sales tax licence. Licensed manufacturers are permitted to buy or import materials for further manufacture free of sales tax, by quoting their licence number and certifying that these materials are to be used in, wrought into, or attached to taxable goods for sale.

Federal Sales Tax

In addition to the federal sales tax, an excise tax is imposed on specified goods either manufactured in Canada or imported into Canada. The list includes jewellery, cigarettes, tobacco and alcoholic beverages.

Federal Excise Tax

Manufacturers of such goods must obtain a license for excise tax purposes, and may import free from excise tax, excisable goods that are to be incorporated into and form a constituent or component part of an article subject to excise tax, providing they quote their licence number and relevant certificate.

The procedure for filing returns and paying excise tax is similar to that for federal sales tax.

The Ontario government levies a direct sales tax of 7 percent on goods consumed, used or sold within the province. The tax is levied on the basis of the selling price to the ultimate user or consumer. Retail vendors are required to obtain licences and maintain adequate records of sales. Some categories exempt from this provincial tax are food, books, fuels, farm implements, livestock, feed, goods consumed in manufacturing or production. Further tax exemptions were introduced in 1974 for some household and personal hygiene items such as soaps and detergents, toothpaste, deodorants and footwear. The numerous exceptions and the qualifications involved should be investigated.

Ontario Sales Tax

Canada has signed tax agreements with some countries whereby Canadian taxes on income earned in Canada by a foreign investor are normally available as full or partial credit against taxes payable thereon in the investor's country of residence. The question of tax liability on income earned abroad should be clarified with tax authorities in the investor's country of residence.

Reciprocal Tax Treaties

<p>The Canadian Customs Act and Canadian Custom Tariff are administered by the Customs and Excise Division of the federal Department of National Revenue, Ottawa. Custom officials are located at numerous ports of entry and in regional offices across Canada.</p>	<p>CANADIAN CUSTOMS Administration</p>
<p>The Canadian Customs Tariff contains schedules of over 2000 tariff items under which goods and commodities might be imported into Canada. The classification of the tariff items is based on differing criteria such as the nature or the use of goods.</p>	<p>Customs Tariff on Imports</p>
<p>The rates of import duty applicable under each tariff item of the Customs Tariff are set forth as follows:</p>	
<p>(a) British Preferential Tariff—applicable to goods which are the growth product or manufacture of most British Commonwealth countries.</p>	
<p>(b) Most-Favoured Nation Tariff—applicable to goods which are the growth product or manufacture of many countries as negotiated through treaties or through the General Agreement on Tariffs and Trade (GATT).</p>	
<p>(c) General Preferential Tariff—effective July 1, 1974, certain imports from the developing nations are subject to rates of duty which are less than the British Preferential rates.</p>	
<p>(d) General Tariff—applicable to all goods and commodities not entitled to treatment under (a), (b) and (c) above.</p>	
<p>Canadian-made goods enjoy reciprocal treatment under the British Preferential Tariff outlined in (a) and (b) above.</p>	<p>Tariff Preference For Canadian Goods Abroad</p>
<p>Rates of duty are usually levied either on an “ad valorem” or “specific” basis. The former refers to duty charged as a percentage of the value of the item, e.g., 7-1/2 percent “ad valorem”. The latter refers to duty charged by unit of weight or other measure of quantity. In some instances, a compound duty is levied, e.g., 25 percent “ad valorem” plus 5 cents per pound.</p>	<p>Rates of Duty</p>
<p>The main principle of the provisions of the Customs Act is that the value for duty is the fair market value of the goods in the country of origin. A number of modifying rules provide for circumstances where other factors must be given consideration in determining value for duty. An example is the method of calculating value for duty based on full factory (production) costs, plus a percentage advance for administration costs, selling costs and profit. This formula is applied to materials and components being imported for use in the process of manufacture or production of goods, but not usually sold in the same condition and for the same purpose.</p>	<p>Valuation for Duty</p>
<p>Special concessions have been granted for a number of items which can be imported for a temporary period not exceeding one year to be used in production of goods, or for emergency or experimental purposes.</p>	<p>Temporary Imports</p>
<p>Most significant to newly established operations is the temporary entry of dies, moulds, patterns and related jigs and fixtures. Such equipment may be entered with duty levied on 1/60th of the appraised value for each month they remain in Canada. A minimum levy of \$25.00 for each importation is imposed.</p>	
<p>A drawback or rebate of customs duties, sales or excise taxes paid can be applied for when imported goods are used for specified purposes. An example is for goods which are used or consumed in, wrought into or attached to, any articles manufactured or produced in Canada and subsequently exported. A drawback of 99 percent of the duties and/or taxes may be allowed.</p>	<p>Duty Drawbacks</p>

Made in Canada	<p>For the purposes of the Customs Tariff, articles shall not be deemed to be of a class or kind made in Canada unless established Canadian industry is manufacturing at least 10 percent of the normal Canadian consumption. In addition, each article must be determined to be of substantial Canadian content.</p> <p>There are a number of items in the Customs Tariff authorizing a lower rate of duty for imported goods of a class or kind not made in Canada than for goods of a class or kind made in Canada.</p>
Processing of Canadian Goods Abroad	Permission can be obtained to export Canadian goods for any process of manufacture and subsequent re-importation, with remission of duty on all or a percentage of the Canadian content.
Marking of Imported Goods	Any imported product that is packaged in a container and is sold to a consumer without being re-packaged is subject to the Consumer Packaging and Labelling Act. Reference should be made to this Act before consumer products are imported into Canada to ensure that they comply to the Act.
Anti-Dumping Duty	The Anti-Dumping Act provides that, in cases where goods are dumped, i.e., the value for duty is less than the fair market value, and the action has caused, is causing, or is likely to cause material injury to the production of like goods in Canada, or has materially retarded or is materially retarding the establishment of the production in Canada of like goods, as determined by the Anti-Dumping Tribunal, an anti-dumping duty will be imposed.
Machinery and Equipment Imports	A considerable range of machinery and related equipment is not available from Canadian production and this may be imported duty free. Applications may be made for remission of duty on the items classified under Tariff item 42700-1 either before or not later than 90 days after the date of customs clearance.
Goods in Bond	The Customs law provides that goods may be imported and held "in bond" under the control of the Customs and Excise Division of the Department of National Revenue. Customs duties and tax liabilities are postponed until the goods are withdrawn from bond.

Although Ontario's overall industrial expansion traditionally leads the nation, certain slow-growth and less developed regions have lagged behind the rest of the economy. In order to stimulate economic activity, industrial expansion and provide employment opportunities in these municipalities, the Government of Ontario offers a comprehensive assistance program to qualifying companies wishing to locate new manufacturing plants or expand their operations in the Province.

GOVERNMENT ASSISTANCE TO INDUSTRY Ontario Programs

Ontario's financial assistance programs are designed with the objective of encouraging industrial and economic development. Two types of loans are offered:

Financial Incentives

Ontario Business Incentive Loans which are locational incentives designed to attract secondary manufacturing industries and supporting service industries to slower growth areas of the Province.

Term Loans which are available throughout the Province to qualifying companies which are unable to obtain sufficient financing from conventional lending institutions. Term loans are available for export support, industrial mortgages, pollution control equipment, etc. These loan programs are administered by the Ontario Development Corporations.

Qualifying companies are those engaged in secondary manufacturing and service industries in support of manufacturing as opposed to those engaged in the primary industries such as mining, logging, fishing and agriculture.

Financial incentive to any industrial, business or commercial enterprise are not granted by municipal government.

The Ministry of Industry and Tourism is the focal point of the Government of Ontario for industrial inquiries relating to trade and industrial development.

Industrial and Trade Development

The Division of Industry offers a variety of programs and services such as:—licensing and joint venture opportunities, new product and production sourcing, and industrial technology services.

The Division of Trade assists Ontario manufacturers to export products and services through outgoing and incoming sales missions, trade exhibition support, warehousing and distribution abroad, foreign market surveys and manufacturing abroad.

The Small Business Operations Division provides industrial and trade advisory services and other development programs in the areas where they are required.

The Ministry has field offices in Ontario and abroad which provide information on all its services.

The Federal Department of Regional Economic Expansion (DREE) administers a financial incentives program for designated slow-growth regions in all provinces of Canada. In Ontario the qualified regions are located in the eastern and northern parts of the province.

Federal Programs Regional Incentives

Primarily, incentives are available for the expansion or modernization of a plant not to exceed the lesser of \$6 million or 20 percent of the approved capital costs. Secondary development incentives are available for the establishment or expansion of a plant to manufacture or process a new product in an amount not to exceed 25 percent of the approved capital costs plus \$5,000 for each job created.

Once established as an Ontario industry, a company may be in a position to take advantage of a number of research, development and adjustment programs offered by the Federal Government. These are as shown below:

(1) Program to Enhance Productivity (PEP)

The main objective of this program is to encourage industrial growth and productivity by supporting studies to determine the feasibility of projects designed to increase substantially the productivity or industrial efficiency of companies. The assistance is available to Canadian manufacturing and processing companies.

(2) Defence Industry Productivity Program (DIP)

Objectives: The Defence Industry Productivity Program combines the former Industry Modernization for Defence Exports Program and the Development Sharing Program. The Program is designed to enhance the technological competence of the Canadian defence industry in its export activities by providing financial assistance to industrial firms for selected projects.

(3) General Adjustment Assistance Program (GAAP)

Objectives: To assist Canadian manufacturing industry to adjust to, and compete effectively in the new trading environment resulting from the Kennedy Round Agreements.

(4) Industrial Design Assistance Program (IDAP)

Objectives: To improve the competitive position of Canadian industry by achieving improvements in the quality of industrial design for its products.

(5) Industrial Research and Development Incentives Act (IRDIA)

Objectives: To expand scientific research and development in Canada which, if successful, are likely to benefit Canada.

(6) Machinery Program (MACH)

Objectives: To allow users of machinery to acquire capital equipment at the lowest possible cost and, at the same time, enable machinery producers to derive maximum incentive and encouragement from the tariff.

(7) Program for the Advancement of Industrial Technology (PAIT)

Objectives: To encourage industrial growth and production by supporting the development of new or improved products and processes for commercial markets.

(8) Pharmaceutical Industry Development Assistance (PIDA)

Objectives: To increase the efficiency of drug production and marketing in Canada, and to assist in lowering drug prices.

(9) Ship Construction Subsidy Regulations (SCSR)

Objectives: To assist the shipbuilding industry by subsidizing construction at a level comparable to the tariff protection given to other industries, and encourage the rationalization of the industry.

(10) Counselling Assistance to Small Enterprises (CASE)

Objectives: The program provides an opportunity for the owners and managers of small businesses engaged in manufacturing or tourism to benefit from a service by retired business executives. This service is provided at nominal cost.

The Canadian patent system is based on the same concept as that of most countries, differing in details only. Since foreign patents do not provide protection in Canada, foreign inventors should apply for Canadian patents to the Commissioner of Patents, Ottawa, Ontario. The application must meet all the requirements of the Patent Act and the Patent Rules. For example, no patent may be allowed if the invention was published anywhere in the world more than two years before the application was filed in Canada and would be invalid if it were granted. The application will also be refused if the invention has been used publicly or sold in Canada more than two years before the application is filed.

A Canadian patent is valid in Canada for a 17 year period and no annual fee is required to keep it in force, providing the invention is worked in this country within 3 years of patenting. Many foreign principals enter the Canadian market by licence and royalty or joint venture agreements with existing Canadian companies. The Industrial Development Branch provides a service to bring interested parties together, details of which can be obtained from the nearest Ontario government office.

The Trade Marks Act governs trade mark registration and provides for the registration of trade marks used in association with goods or services. Canada conforms to the provisions of the International Convention for the Protection of Industrial Property, which covers registration of foreign trade marks under special circumstances. Trade marks are valid for 15 years and are renewable. Applications for registration should be sent to the Registrar of Trade Marks, Department of Consumer and Corporate Affairs, Ottawa, Ontario.

Canada adheres to both the Universal and International Copyright Conventions. Applications for registration of copyrights should be sent to the Federal Commissioner of Patents, Ottawa, Ontario.

Industrial designs for the ornamentation of any article of manufacture may be registered in Canada. Applications for registration should be sent to the Federal Commissioner of Patents, Ottawa, Ontario.

Ontario's extensive transportation facilities enable industry to obtain raw materials and distribute finished products at reasonable costs. From Ontario's central position in Canada, goods move easily to the eastern or western provinces, or southwards to the United States by road, rail, air and water. The Trans-Canada Highway system stretches over 4,000 miles from Halifax on the Atlantic to Vancouver on the Pacific, and the middle 1,450 miles span Ontario. The St. Lawrence Seaway/Great Lakes Waterway provides a shipping route from the Atlantic Ocean some 2,300 miles inland to the head of Lake Superior, with numerous ports of discharge enroute. Railways, steamship companies and major ports have cooperated in development of modern container-handling facilities for overseas shipments. Canada's two major trans-continental railway systems service the entire country and provide direct connections at border points with United States railways.

Single through freight rate schedules to all points in the U.S.A. and Mexico are available from Ontario points of origin. Two major Canadian airlines form the nucleus of Canada's air freight and passenger service, supplemented by a number of smaller domestic air carriers. Worldwide air freight and passenger service is available from Ontario's Toronto International Airport. The truck transportation industry is highly organized and intercity, interprovincial and international cargo transportation is readily available.

Abundant supplies of electrical power, natural gas and oil are available to Ontario industry. An Ontario government agency controls the provision, distribution and sale of electric power at minimum cost.

Ontario's communities are well served through the branch system of Canada's major chartered banks, which extends into all provinces and many foreign countries. A complete range of banking services is available to the businessman from the nearest branch of his selected bank.

GENERAL INFORMATION

Patents:

Trade Marks:

Copyrights:

Industrial Designs:

Transportation:

Utilities

Banks:

Banks: The Bank of Canada is the federal regulatory institution, which controls bank reserves, interest rates and foreign exchange for all banking operations.

Product Standards: The Canadian Standards Association (CSA) has the responsibility for establishing standards on products, processes and procedures. For example, all electrical apparatus and equipment must be CSA certified.

The Standards Branch of the Department of Consumer and Corporate Affairs, Ottawa, is responsible for the testing and approval of weighing and measuring devices.

The Food and Drug Directorate of the Department of National Health and Welfare, Ottawa, is responsible for all phases of the food, drug, cosmetic and medical devices fields. Particular emphasis is placed on the control of plant facilities, ingredients, formulae, packaging, labelling and advertising.

The combined Federal-Provincial tax rates applicable in Ontario listed here reflect the Ontario corporate income tax rate of 12% and the Federal abatement of 10% as explained on page 11.

APPENDIX A
Combined
Federal-Provincial
Corporate Tax Rates
Province of Ontario

These rates are subject to periodic review by the Federal parliament commencing in April of 1975.

1. For all corporations except those eligible for the small-business incentive.

	On taxable income from manufacturing and processing operations	On taxable income from all other operations
1975	42	49
1976	42	48

2. For corporations eligible for the small-business incentive, (basically private corporations controlled by Canadian residents.)

1975	22	27
1976	22	27

Note: Canadian-controlled private corporations have the benefit of the low rates on the first \$100,000 of net income earned in any one year to a limit of \$500,000 of taxable income accumulated after the 1971 taxation year.

Eligibility for the special low rate of tax can be maintained by the payment of taxable dividends.

TAXABLE INCOME	INCOME TAX	MARGINAL RATE
\$500 or less	9%	
\$500	\$45	Plus 18% on next \$500
1,000	135	Plus 19% on next 1,000
2,000	325	Plus 20% on next 1,000
3,000	525	Plus 21% on next 2,000
5,000	945	Plus 23% on next 2,000
7,000	1,405	Plus 25% on next 2,000
9,000	1,905	Plus 27% on next 2,000
11,000	2,445	Plus 31% on next 3,000
14,000	3,375	Plus 35% on next 10,000
24,000	6,875	Plus 39% on next 15,000
39,000	12,725	Plus 43% on next 21,000
60,000	21,755	Plus 47% on the excess

Provincial tax is 30.5% of the Federal Income Tax.

APPENDIX B
Personal Income Tax Rate
Schedule For 1975

MINISTRY of INDUSTRY and TOURISM
Head Office
Hearst Block—900 Bay St., Queen's Park
Toronto, Ontario
Canada
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APPENDIX C
ONTARIO
REGIONAL OFFICES

<p>Arnprior Box 308 146 John Street North ARNPRIOR, Ontario K7S 2N7 Telephone: (613)623-3153</p>	<p>Kitchener 305 King Street West KITCHENER, Ontario N2G 1B9 Telephone: (519) 744-6391</p>	<p>St. Catharines P.O. Box 3024 ST. CATHARINES, Ontario L2R 3H7 Telephone: (416) 684-2345</p>
<p>Barrie Highway #400 BARRIE, Ontario L4M 4T5 Telephone: (705) 726-0932</p>	<p>London Suite 607 195 Dufferin Street LONDON, Ontario N6A 1K7 Telephone: (519) 433-8105</p>	<p>Sault Ste. Marie 120 Huron Street P.O. Box 1196 SAULT STE. MARIE, Ontario P6A 5N7 Telephone: (705) 253-1103</p>
<p>Brockville 143 Parkdale Avenue BROCKVILLE, Ontario K6V 5V1 Telephone: (613) 342-5522</p>	<p>North Bay Northgate Shopping Centre 1500 Fisher Street NORTH BAY, Ontario P1B 2H1 Telephone: (705) 472-9660</p>	<p>Sudbury 767 Barrydowne Road SUDBURY, Ontario P3A 3T6 Telephone: (705) 560-1330</p>
<p>Fort Frances 283 Church Street P.O. Box 815 FORT FRANCES, Ontario P9A 3N1 Telephone: (807) 274-3250</p>	<p>Orillia 2nd floor, Sterling Trust Bldg 73 Mississaga Street East P.O. Box 488 ORILLIA, Ontario L3V 6K2 Telephone: (705) 325-1363</p>	<p>Thunder Bay Ontario Government Building 435 James St. S. P.O. Box 5000 Thunder Bay, Ontario P7E 6E3 Telephone: (807) 623-9501</p>
<p>Huntsville Box 1410 15 Main Street East HUNTSVILLE, Ontario P0A 1K0 Telephone: (705) 789-4448</p>	<p>Ottawa Suite 900 220 Laurier Avenue West OTTAWA, Ontario K1P 5J8 Telephone: (613) 237-6280</p>	<p>Timmins 261 Third Avenue TIMMINS, Ontario P4N 1E2 Telephone: (705) 264-5393</p>
<p>Kenora 808 Robertson Street KENORA, Ontario P9N 3X4 Telephone: (807) 468-7622</p>	<p>Owen Sound P.O. Box 485 Suite 104 1131 Second Avenue East OWEN SOUND, Ontario N4K 5P7 Telephone: (519) 376-3875</p>	<p>Willowdale Suite 480 5 Fairview Mall Drive WILLOWDALE, Ontario M2J 2Z1 Telephone: (416) 491-7680</p>
<p>Kingston 4th floor, Princess Anne Bldg 797 Princess Street KINGSTON, Ontario K7L 1G1 Telephone: (613) 546-0174</p>	<p>Peterborough Box 386 139 George Street North PETERBOROUGH, Ontario K9J 3G6 Telephone: (705) 742-3459</p>	<p>Windsor Suite 206 875 Quellerie Ave. Windsor, Ontario N9A 4J6 Telephone: (519) 252-3475</p>

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5-28-99-14

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Ontario

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Government of Ontario
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Claude Bennett,
Minister
Fred J. Pillgrem,
Deputy Minister

